



General Assembly

February Session, 2014

***Raised Bill No. 5347***

LCO No. 1676



Referred to Committee on PLANNING AND DEVELOPMENT

Introduced by:  
(PD)

***AN ACT ALLOWING CERTAIN MUNICIPALITIES TO CREATE  
SCHOLARSHIP FUNDS THROUGH MUNICIPAL BONDING.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1      Section 1. (NEW) (*Effective July 1, 2014*) (a) Any distressed  
2      municipality, as defined in section 32-9p of the general statutes, may,  
3      upon approval by its legislative body or, in any municipality in which  
4      the legislative body is a town meeting, by the board of selectmen,  
5      adopt an ordinance establishing a scholarship fund. Such ordinance  
6      shall include provisions for (1) the establishment of scholarship  
7      eligibility requirements, which shall include a requirement that the  
8      person seeking the scholarship apply for every appropriate grant and  
9      scholarship to offset postsecondary education expenses, enroll in a  
10     degree-granting program at an institution of higher education that is  
11     accredited by the Board of Governors of Higher Education or  
12     regionally accredited, complete at least twelve credit hours per  
13     semester and maintain a grade point average of at least 2.5; (2) the  
14     establishment of scholarship retention requirements, which may  
15     include performance of community service in such municipality; (3)  
16     the establishment of a committee to review applications and award

17 scholarships from the fund; (4) the determination of factors to be  
18 considered for revocation and reinstatement of a scholarship award;  
19 (5) scholarship fund discontinuance; and (6) limitation on the amount  
20 of scholarship awards so that no such award shall exceed the annual  
21 rate of tuition, room and board and fees charged to in-state students to  
22 attend The University of Connecticut at Storrs, as provided in  
23 subsection (b) of this section. The provisions of section 7-374 of the  
24 general statutes shall apply to any bonds issued pursuant to this  
25 section.

26 (b) A distressed municipality may authorize the issuance of bonds,  
27 notes or other obligations in accordance with the provisions of chapter  
28 109 or 588c of the general statutes for the purpose of funding a  
29 scholarship fund established pursuant to subsection (a) of this section  
30 to provide money for tuition, room and board and fees for residents of  
31 the municipality who are United States citizens or permanent residents  
32 of the United States to attend a public or independent institution of  
33 higher education in this state and who remain residents of such  
34 municipality while attending such institution of higher education.  
35 Registering to vote in a different municipality while attending an  
36 institution of higher education shall not affect eligibility for a  
37 scholarship award provided pursuant to this section. As a condition of  
38 receiving a scholarship award pursuant to this section, the recipient  
39 shall agree to work and live in this state for a certain number of years,  
40 as determined by the municipality. If the recipient fails to satisfy such  
41 agreement, the ordinance adopted pursuant to subsection (a) of this  
42 section may require repayment of all or part of the scholarship award.  
43 Any scholarship for tuition, room and board and fees provided  
44 pursuant to this section shall be paid directly to the institution of  
45 higher education.

46 (c) The proceeds of bonds, notes or other obligations issued  
47 pursuant to this section shall be paid into the fund created pursuant to  
48 subsection (a) of this section. The fund may also accept gifts,  
49 donations, bequests or funds from any other public or private source.

50 (d) The budget-making authority of such municipality may, from  
51 time to time, direct the town treasurer to invest such portion of such  
52 fund as in its opinion is advisable, provided: (1) Not more than forty  
53 per cent of the total amount of the fund shall be invested in equity  
54 securities, and (2) any portion of such fund not so invested may be  
55 invested in (A) bonds or obligations of, or guaranteed by, the state or  
56 the United States, or agencies or instrumentalities of the United States,  
57 (B) certificates of deposit, commercial paper, savings accounts and  
58 bank acceptances, (C) the obligations of any state of the United States  
59 or any political subdivision thereof or the obligations of any  
60 instrumentality, authority or agency of any state or political  
61 subdivision thereof, provided at the time of investment such  
62 obligations are rated within the top rating category of any nationally  
63 recognized rating service or of any rating service recognized by the  
64 Banking Commissioner and applicable to such obligations, (D) the  
65 obligations of any regional school district in this state, of any  
66 municipality in this state or any metropolitan district in this state,  
67 provided at the time of investment such obligations of such  
68 government entity are rated within one of the top two rating categories  
69 of any nationally recognized rating service or of any rating service  
70 recognized by the Banking Commissioner and applicable to such  
71 obligations, (E) any fund in which a trustee may invest pursuant to  
72 section 36a-353 of the general statutes, (F) investment agreements with  
73 financial institutions whose long-term obligations are rated within one  
74 of the top two rating categories of any nationally recognized rating  
75 service or of any rating service recognized by the Banking  
76 Commissioner or whose short-term obligations are rated within the  
77 top rating category of any nationally recognized rating service or of  
78 any rating service recognized by the Banking Commissioner, or (G)  
79 investment agreements fully secured by obligations of, or guaranteed  
80 by, the United States or agencies or instrumentalities of the United  
81 States.

82 (e) The town treasurer shall annually submit a complete and

83 detailed report of the condition of such fund to the chief executive  
 84 officer, the budget-making authority and the legislative body of such  
 85 municipality and such report shall be made a part of the annual report  
 86 of the municipality. Such report shall comply with the standard  
 87 auditing procedures of such municipality.

88 (f) Such fund may be discontinued after recommendation by the  
 89 chief executive officer and the budget-making authority to the  
 90 legislative body and upon approval of such body. To the extent there is  
 91 any remaining portion of such fund, the fund shall be converted into,  
 92 or added to, a sinking fund to provide for the retirement of the bonded  
 93 indebtedness of the municipality. If the municipality has no bonded  
 94 indebtedness, such fund shall be transferred to the general fund of the  
 95 municipality.

96 Sec. 2. (NEW) (*Effective July 1, 2014*) If a resident who enrolls in a  
 97 degree-granting program offered by a public institution of higher  
 98 education receives a scholarship from a fund established by an  
 99 ordinance pursuant to section 1 of this act, the public institution of  
 100 higher education shall not reduce any financial aid offered by such  
 101 institution of higher education to such resident based on such  
 102 resident's receipt of the scholarship, except when a reduction in  
 103 financial aid is required by federal law or regulation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	New section
Sec. 2	<i>July 1, 2014</i>	New section

***Statement of Purpose:***

To authorize distressed municipalities to fund scholarships through municipal bonding.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*

